

No. 22037

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In the

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United States Court of Appeal

For the Ninth Circuit

PURER & COMPANY and PHILLIP
PURER,

Appellants,

vs.

AKTIEBOLAGET ADDO and ADDO
MACHINE COMPANY, INC.,

Appellees.

PETITION FOR REHEARING

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Appellants respectfully request a rehearing in the above entitled matter on the following grounds:

A. That material facts were omitted from or incorrectly stated in the Opinion of the Court.

B. That substantial legal issues raised in Appellants' Brief were not considered in the Opinion of the Court.

C. That legal authorities cited in the Opinion of the Court were incorrectly applied to the facts in this case.

1. On pages 2-3 of the Opinion this court states that Exhibits 3 and 48 relevant to an issue of fact to be litigated were properly admitted into evidence.

It is respectfully submitted that these exhibits were not properly received in evidence.

a. The books and records of both plaintiffs were not listed in the Pre-Trial Order as Exhibits to be used upon the trial of the action (Local Rule 9 (g) VII.)

b. Appellants did request an examination of the books and records of plaintiffs' (C.T. p. 420; R.T. Oct. 10, 1966, pp. 3-4) but the motion was denied on the statement of appellees' counsel that they would not use the books and records upon the trial of the action.

c. Summaries of voluminous books and records may *be used in lieu of originals, only if a proper foundation has been laid.* The person who prepared the summaries must testify under oath that they were made by him and he must identify the sources that he used in preparing the summaries (*Sam Marci & Sons, Inc. v. U.S.A.*, 9th Cir., 1963, 313 F. 2d 119, 128-129.) No witness testified that the summaries (Exhibits 4 and 48) were made from books and records kept by plaintiffs in the ordinary course of business or that they were true, correct and genuine summaries of original entries.

(1) Gunnar Agrell testified, over objection, that Exhibit 4 was prepared not by him but by his accounting department (R.T. pp. 19-20).

(2) George Agrell testified that Exhibit 48 was not prepared by him but by his accounting department (R.T. p. 266) and that he changed what his

accounting department submitted to him (R.T. pp. 289-290).

d. *Baker & Ford v. United States*, 363 F. 2d 605, 609 (9th cir., 1966) does not support this Court's position that the summaries were properly admitted into evidence. In that cause one Fred Urban took the stand and testified that *he* prepared the summary from the original records (p. 607) which is not the same as the testimony of Gunnar Agrell and George Agrell, who both testified that the exhibits were prepared by someone else at their request.

e. Objections to the introduction of Exhibits 4 and 48 were made on the grounds that the records were the best evidence (R.T. pp. 19-20; 267) and it is respectfully submitted that these objections pose an adequate problem to the trial court to exercise discretion for the production of the original records from which the summaries were made.

2. On page 3 of the Opinion it is stated that Mr. Agrell inspected the machine when it arrived from Japan and it was Model 4001.

a. There is no proof that the machine that Addo received from Japan was a model BC-4001 or even that it was a Toshiba machine. The Court presumed that because Mr. Agrell requested his agents to obtain a Toshiba machine, his agents complied with his request (R.T. p. 511).

b. Mr. Agrell testified that *he didn't know* the model number of the machine (See appendix A as to his testimony.)

3. On page 3 of the Opinion the Court stated that at the trial Mr. Agrell was able to identify from the photographs which machine was the Toshiba Model BC-4001 and which was the Addo-X 341-E.

It is respectfully submitted that Mr. Agrell's testimony does not warrant this conclusion because the photographs before Mr. Agrell at the time of the trial were not the same that were taken by someone else in 1963. (R.T. pp. 53-54; Appendix B.)

4. On page 4 of its Opinion, referring to the Lindoteves-Jacoberg letters, this court states that the letters between Addo and Tokyo Denki were authenticated and properly admitted into evidence in support of the court's findings 23, 24, 25, 26, 28, 29, 30 and 50.

With due deference to this Court, it is respectfully submitted that these letters were never authenticated; they were never received in evidence to support a finding and they do not provide substantial evidence in support of these findings. Nor does this Court in its Opinion state how and in what manner these letters were authenticated or how or in what manner they were received in evidence sufficient to provide substantial evidence in support of the court's findings. The testimony that these letters were not offered as evidence and they were not received by the court as evidence is set forth in Appendix C.

5. On pages 5-6 of its Opinion this Court refers to Exhibits 53 through 57 inclusive and the fact that they were not admitted for the truth of the matters stated therein but merely for the limited purpose of showing the attitude and state of mind of the dealers under the circumstances.

a. It is respectfully submitted that these letters are not admissible for any purpose whatsoever.

b. Findings of Fact Nos. 68, 69 and 70 are predicated on the contents of these letters, holding that these dealers were confused.

c. Findings of Fact Nos. 68, 69 and 70 tend to support the plaintiff's claim of unfair competition (Conclusion of Law, No. VI).

6. On pages 6 and 7 of its Opinion this Court discusses the testimony of George Agrell and Carl Gronhagen relating to the conversations and concludes that (Op. p. 7) Purer's admissions were *properly admitted by the trial court*.

a. Appellants did not dispute that George Agrell and Carl Gronhagen could relate what they contend Mr. Purer said to them, and that the court could consider such conversations in arriving at its conclusion. But what appellants did assert and what this court ignores, is that the testimony of these two witnesses relating what they said Purer stated to them, still did not reach the required level of evidence sufficient to

warrant a finding of fraud. (App. Op. Br., pp. 46-51 and authorities.)

b. George Agrell did not relate what Mr. Purer said to him. His salient testimony is set forth in Appendix D (R.T. pp. 297-298). While it is true that under the circumstances the court had an option to determine at which time the witness speaks the truth (*People v. Pierce*, 269 A.C.A. 192, 202; p. 2d), nevertheless inconsistent answers are not clear and convincing evidence which is the minimum requisite necessary to establish fraud.

c. As to Mr. Gronhagen, there was no need to cross examine him for although he related a conversation regarding a machine, never at any time did he identify which machine he was talking about or which model of which machine.

7. On pages 8-9 of its Opinion this Court discussed the question of fraud. However, four important facts firmly established at the trial are not set forth in the opinion.

a. The letters Mr. Purer sent to Sweden (Exhibits 20 and 22, had etched on them the picture of a plant and the words "New Modern Facility in Ohito" and that Gunnar Agrell was charged with knowledge of what was printed on the letters (Cal. Civil Code Sec. 19).

b. That in June of 1965 George Agrell and Gunnar Agrell had a conversation wherein they decided to cancel the license agreement (R.T. p. 225).

c. That on June 30, 1965, as a result of this conversation, Alma Flesch, the attorney for George Agrell, sent a letter charging defendants with having obtained the license agreement by fraud (Exhibit B).

d. That this was *before* Gunnar Agrell had considered whether there was any grounds to cancel the license agreement.

Since a finding of fraud must be supported by *clear and convincing* evidence, the conclusion that it is supported by substantial evidence (Op. p. 8) is clearly erroneous and requires a reversal.

H. K. King & G. Shuler Corp. v. King, (1968)
Cal. 259 C.A. 2d 383, 396; 66 Cal. Rptr. 330
(and Appendix E).

8. On page 8 this court discusses findings of fact and conclusions of law on appellee's third cause of action for unfair competition. Omitted from the opinion are the important facts:

a. That there was no proof that the plaintiff's product or its name or slogan was associated *by the public* with the plaintiff's product.

b. That not a single witness was produced or any evidence offered that anyone ever purchased the appellants product thinking it was that of the plaintiff.

The court's holding, therefore, that unfair competition may be established without such finding is contrary to the settled law on unfair competition.

Moreover, it is respectfully submitted that the authorities relied upon by this Court on page 8 of its opinion are not in accord with this court's conclusion and are discussed in Appendix F.

9. On page 10 of its Opinion, this Court correctly states the law as to what the trial court must find to conclude that an infringement took place.

But the opinion states no facts whatsoever where defendants infringed upon plaintiff's patent.

It is respectfully submitted that there is no evidence *and there is no finding* indicating what portion of defendants' machine performs substantially the same function or accomplishes the identical result by substantially identical means of plaintiff's patented device.

To constitute infringement there must be specific findings indicating what portions of defendants' machines infringe upon the claims of plaintiff's patent. (*Autogiro Co. of America v. United States*, U.S.C.C. 1967, 384 F. 2d 391, 396 and cases cited in footnote 4.)

10. On pages 10 and 11 of its Opinion, this court refers to Section 285 of Title 28, U.S.C.A. that the court in exceptional cases may award reasonable attorney's fees to the prevailing party. (Presumably the court had reference to Title 35, not Title 28.)

The findings of this court, however, was that the license agreement was obtained by defendant's fraud-

ulent conduct (Finding of Fact No. 73, C.T. p. 603), and such a finding does not authorize an attorney's fee under Sec. 285 of Title 35, which is applicable only to matters in establishing patents infringement.

CONCLUSION

For all of the above reasons a rehearing should be granted.

—
Respectfully submitted,

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and

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Appendix

APPENDIX A

(R.T. pp. 52-53)

“BY MR. SHEA:

“Q. Did you inspect the photographs after they were taken?

“A. Yes.

“Q. Are you now able to identify *from the photographs in front of you*, which is the BC-4001 model and which is an Addo-X 341-E model?

“A. On some, yes. They are so similar it is difficult.”

The photographs that were taken in 1963 were sent to Lindoteves-Jacoberg (Opinion, p. 4). No evidence was offered that the photographs that Gunnar Agrell examined in court were the same photographs which were taken by someone in 1963 in Sweden and this Court also seems to have overlooked the evidence that the marks on these pictures were placed there two years later (R. T. pp. 54-55) (Ap. Op. Br., pp. 37-40.)

APPENDIX B

(R.T. pp. 53-54)

“Q. And did you inspect it to see whether there was any model number on it?

“A. It was the Model No. 4001 which was confirmed by letter from Lindeteves-Jacoberg.

“MR. FAIRFIELD: I move that the latter portion be stricken.

“THE COURT: All right, the latter part may be stricken.

“BY MR. SHEA:

“Q. Now, just confining yourself to what was on the machine, was there anything on the machine which established to show that it was Model BC-4001?

“MR. FAIRFIELD: We would object to it on the ground that the machine would be the real evidence on that.

“THE COURT: Overruled.”

We are seeking to accommodation and establish an identification of the pictures.

“MR. FAIRFIELD: That is correct, your Honor. Our position is that the machine is the real evidence and not the photographs.

“THE COURT: Overruled.

“BY MR. SHEA: Q. What was on the machine with reference to a model number?

“A. There was a sign. *I don't remember now.*”
(Emphasis added.)

APPENDIX C

Exhibits 10-19 were never in evidence in this cause. When Mr. Shea, counsel for appellees, submitted them to the court he did so not as evidence but only to show plaintiff's state of mind and they were received as such. As Mr. Shea stated (R.T. p. 38):

"I am going to offer a number of letters which are an exchange of correspondence between Lindoteves-Jacoberg and A. B. Addo, and also involving the Swedish Embassy and the Japanese Foreign Affairs Office, and *I am not going to offer them necessarily as proof of the contents thereof*, but I am going to offer them to establish that some years prior to the negotiations between the defendants and the plaintiffs A. B. Addo were confronted with a copying of their adding machine by Japanese people." (emphasis added.)

To which the Court responded (C.T. p. 38):

"THE COURT: All right, the court will have to rule upon them upon an individual basis, but I think I know the difference between what is hearsay and what is not hearsay, based upon the purpose for which it was offered."

When the letters were offered as Exhibits the following ensued (R.T. pp. 69-70):

"THE COURT: Well, I take it the plaintiff proposes to link up the matter. I take it that this is submitted to show that the plaintiff has not will-

ingly given a license to the Toshiba Company to use the patents for either introduction of the machine in the United States or otherwise.

MR. SHEA: That is right. We would not directly give a license to Toshiba, and we are not going to give it indirectly through Mr. Purer.

* * *

“THE COURT: I have not yet admitted the letters, Mr. Fairfield, *and I am not about to admit letters coming from Lindoteves-Jacoberg as establishment of proof of facts asserted in those letters, but they will be admitted as a basis for action by these people.* Do you understand.” (emphasis added.)

On page 72 of the Reporter’s Transcript the following occurs:

“MR. SHEA: I think this would be an appropriate time.

“I hope the court is clear that *I am not offering these letters as proof of everything that is stated in them at all.* I think I made myself clear on that, but if I didn’t I would like to repeat my position.” (emphasis added.)

When they were received as exhibits the court emphasized its position that they were *not* being received as to its contents:

“In deciding this case I am not going to do it on the basis of facts asserted in any letters.” (R.T. p. 76.)

After reading these exhibits the court again stated that they were hearsay and that he was admitting them (R.T. p. 79):

“For that purpose, for the purpose of showing why the Addo people took what action they did in writing to the Japanese organization, Exhibit 16 will be admitted.”

Thus it is apparent that the Lindoteves-Jacoberg letters were not in evidence for the truth of their contents, and under such circumstances they could not be made the basis of substantial evidence sufficient to support a finding which is based upon the truth of their contents.

That is the point that appellants claim error and that point is not discussed by this Court.

As for authentication, we should like to reiterate that none of the exhibits (Lindoteves-Jacoberg letters) were originals. No evidence was submitted why the originals were not made available and no evidence was offered that they were properly addressed and mailed. A statement by Gunnar Agrell that he saw them before they were mailed is insufficient to establish as a fact that they were actually mailed and received, particularly where the letters were written by Mr. Odervall and not by the witness.

The rule as to authentication is stated in *Continental Baking Co. v. Katz*, (Cal., 1968) 69 C. 2d 512, 525-526 [67 Cal. Rptr. 761; 439 P. 2d 889] as follows:

“We understand that in some legal systems it is assumed that documents are what they purport to be, unless shown to be otherwise. With us it is the other way around. Generally speaking, documents must be authenticated in some fashion before they are admissible in evidence. This was true at the time of the hearing in this case and it is true under the Evidence Code (Sec. 1400 et seq.) although the code in many instances eases the former requirements. In the case at bar the court simply took counsel’s word for it that he could have a witness lay the necessary foundation and that he, the attorney, had obtained the documents from the general counsel of Continental so that they were ‘business records under the liberal interpretation.’

“While we have just as much faith in counsel’s sincerity as the trial court evidently had, such faith does not take the place of testimony or judicial notice.

“The reception of the documents in evidence was therefore erroneous.”

Although a reply letter is deemed authenticated as such this is true only when it has been established that the original letter was actually mailed and that its contents called for an answer. In the present cause not only does this count not state any facts in its opinion establishing that the letters were properly addressed and deposited in a mail box but ignores the fact that the presumption of receipt from proper mailing is applicable only to mailing in the United States and not in some foreign nation. (Ap. Op. Br. pp. 40-41.)

APPENDIX D

(R.T. pp. 297-298)

“Q. And you remember in your conversation that Mr. Purer discussed the 4001 machine?

“A. I don’t remember if he referred to that particular number, but he did refer to the Toshiba machine, what I call the Toshiba machine.

“Q. I was under the impression on your direct examination you stated that Mr. Purer referred to the BC4001 machine.

“A. Or the 7001 machine.

“Q. Which one was it?

“A. They are the same.

“Q. Which machine did Mr. Purer refer to in his conversation is what I am trying to find out?

“A. He referred to the machine that was imported.

“Q. Did he mention the number?

“A. No. I used the number to identify the machine as such.

“Q. Well, then, he did not state to you that he had seen the BC4001, is that correct?

“A. He stated that he had seen the machine.

“Q. But not the BC4001.

“A. Well, I wouldn’t recall that, if he used the number or not.

“Q. All right. Now, you also recall that he did use the word “Toshiba”?

“A. I used the word “Toshiba”.

“Q. Well, how about Mr. Purer? Did he use the word “Toshiba”?

“A. He probably did or didn't. To me Toshiba and Tokyo Electric were the same thing at that time.”

APPENDIX E

Since the question of fraud in this cause was to be determined by California Standards, this court should have reviewed all of the evidence in this cause to determine whether the appellees have sustained their burden of proof by establishing the fraud of appellants *by clear and convincing evidence*.

In *People v. Caruso*, 68 C. 2d 183; 65 Cal. Rptr. 336, 436; P. 2d 336, the court stated on page 190:

“the phrase ‘clear and convincing evidence’ has been defined as ‘clear, explicit and unequivocal, so clear as to leave no substantial doubt’ and ‘sufficiently strong to demand the unhesitating assent of every reasonable mind.’ ”

This court, however, concluded that on the doctrine of *Randall Foundation, Inc. v. Riddell*, 244 F. 2d 803, 805 (9th cir., 1957) and *Lundgren v. Freeman*, 307 F. 2d 104, 113-115 (9th cir., 1962) it had no power to review the documents so as to come to a conclusion contrary to that reached by the trial court (although *Lundgren v. Freeman* on pp. 114-115 does refer to several 9th circuit decisions where the appellate court did review documentary evidence).

However, the appellate court should have reviewed all of the evidence to determine if a finding as to fraud is supported by clear and convincing evidence — not substantial evidence.

APPENDIX F

1. *Pursche v. Atlas Scraper Engineering Co.* (9th cir., 1962) 300 Fed. 2d 467. This case does not hold that cancellation of a licensing agreement constitutes unfair competition. The case merely held that the use of a patented invention after the termination of a licensing agreement gives the federal court jurisdiction of a cause of action for unfair competition (*Pursche v. Atlas Scraper Engineering Co.*, p. 483.)

In *Upjohn Co. v. Schwartz* (2nd cir., 1957) 246 Fed. 2d 254, druggists and pharmacists actually took the stand and testified as to the intent of the defendant. It is respectfully submitted that the letters from the dealers admitted by the court over objection, and which this court in its opinion states were not in evidence for the truth of the matters stated therein (Op. p. 5) is not the same as direct testimony.

In *Stork Restaurant v. Sahati* (9th cir., 1948) several factors were present which are not in the present case either by way of evidence or findings. The court found that

a. The Stork Club is a trade name that can be described as art, fanciful, strange and truly arbitrary (p. 55).

b. Plaintiff established through evidence that the Stork Club was associated by the public with the

plaintiff. There was no such finding made in the present case.

c. The court held that because the public could be deceived between the similarity of defendant's use of the same name and insignia as the plaintiff, plaintiff was entitled to an injunction. There was no such finding in this case.

In *Hanson v. Triangle Publications* (8th cir., 1947) the court made specific findings that plaintiff's use of the trademark "Seventeen" had acquired a secondary meaning in the public mind; and associated a relationship between the plaintiff's magazine and any goods or apparel (p. 77). The court also found that the public could be confused believing that defendant's product was associated with plaintiff's magazine.

No such findings were present in this case.

d. *Ford Motor Co. v. Benjamin E. Boone, Inc.*, (9th cir., 1917) 244 Fed. 335 was a pleading case. In its complaint plaintiff alleged that defendant falsely represented itself as an agent of plaintiff, that it purchased plaintiff's vehicles elsewhere and sold it to the public at a discount. The appeal was taken from a judgment entered on an order dismissing the complaint.

The appellate court reversed stating that the complaint stated a cause of action and as to that there is no dispute. But a valid complaint does not give rise to a judgment without proof to sustain the allegations. Plaintiff is not entitled to a judgment based on its complaint alone.

e. *Volkswagon Works G.m.b.H. v. Frank* (Dist. Colo., 1961) 198 Fed. Supp. 916. This was a proceeding for a temporary injunction. However in granting the temporary injunction the court found (pp. 918-919) that the evidence offered by plaintiffs consisted of testimony of purchasers of Volkswagons from the defendant and that in such instances the purchaser had discussions with the defendant in the course of which the defendant gave assurance of his authority to deal in the Volkswagons.

There are no such findings in this cause.

Moreover, the conclusions of the trial court which this court affirmed, namely,

“ . . . that appellants importation and sale of adding machines incorporating Addo’s patented inventions, after rescission of the patent license agreement on July 22, 1965, and their advertisement and representation of the connection between the TEC 7001 and Addo, constituted unfair competition.” (Opinion p. 8.)

is directly contrary to the holding of this court in *Intricate Metal Products, Inc., v. Schneider*, 9th cir., 1963 324 F. 2d 555, where the court stated on page 562:

“Intricate contends that there is nothing in the record from which the district court could have found *customer* confusion; that the similarity in appearance of the accused device and that manufactured by Signal does not suffice. We agree.” (emphasis added.)

